

NEWS

United States Department of Justice
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FOR IMMEDIATE RELEASE
Nov. 16, 2004

Three Former Medi-Hut Executives Sentenced to Prison for Fraud Leading to N.J. Company's Stock Collapse

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NEWARK, N.J. – Three former executives of Medi-Hut Co., Inc., including the chief executive officer, were sentenced today to federal prison terms ranging from 42 months to 46 months for an accounting fraud conspiracy that, once revealed, decimated the Lakewood, N.J.-based company's stock price, U.S. Attorney Christopher J. Christie announced.

Four Medi-Hut executives pleaded guilty Aug. 19, 2003. Today, U.S. District Judge Jose L. Linares imposed the following sentences, including one probationary sentence:

- Joseph Sanpietro, 54, of Millstone Township, N.J. – Medi-Hut's co-founder, president, chief executive officer and a director from 1982 until he was removed in March 2003 – 46 months in prison and a \$50,000 fine. Sanpietro had pleaded guilty to one count of conspiracy to commit securities fraud and wire fraud, and one count of making false statements to the Securities and Exchange Commission during its investigation.
- Laurence Simon, 39, of Englishtown, N.J., Medi-Hut's former chief financial officer, from June 2001 until he was removed in March 2003 – forty six months in prison and a \$5,000 fine. Simon had pleaded guilty to one count of conspiracy to commit securities fraud and wire fraud, and one count of making false statements to the SEC. Simon was a certified public accountant but forfeited his license as part of the plea agreement with the government.
- Lawrence Marasco, 52, of Seaford, N.Y., Medi-Hut's former vice president of sales and marketing and president and sole shareholder of Larval Corporation – 42 months in prison and a \$70,000 fine. Marasco had pleaded guilty to one count of conspiracy to commit securities fraud and wire fraud, and one count of making false statements to the SEC. Marasco also pleaded guilty to three counts of tax evasion on approximately \$1 million in unreported income.
- Vincent Sanpietro, 57, of Toms River, N.J., Medi-Hut's co-founder, chief operating officer and a director until he was removed in March 2003 – three years of probation with six months of home confinement and a \$5,000 fine. Sanpietro had pleaded guilty to one count of obstructing a SEC investigation of Medi-Hut. Sanpietro was found by Judge Linares and the government to have been the least culpable of the defendants.

Judge Linares determined that each of the defendants cooperated with the criminal investigation after the fraud was revealed and, as such, imposed lower sentences that they might otherwise have received, according to Assistant U.S. Attorney Robert Kirsch, who prosecuted the defendants.

“The accounting tricks and deceptions used by these executives came right out of the

now-familiar play book of corporate malfeasance,” said Christie. “The fraud could not be sustained, and when the inevitable collapse came, it wiped out investors and the company.”

Charging documents filed by the U.S. Attorney’s Office at the time of the guilty pleas outlined a complex corporate fraud scheme, spanning from June 2001 through March 2003, designed to allow Medi-Hut to meet its forecasted financial targets and, in turn, boost the value of the company’s stock. The scheme to defraud resulted in a market loss of approximately \$100 million as the fraud was revealed publicly and the stock price plummeted.

Headquartered in Lakewood, N.J., Medi-Hut was formed by Joseph Sanpietro and his brother, Vincent, in 1982 as a national distributor of medical devices. The company expanded into the sale of brand name and generic over-the-counter drugs and prescription drugs, and went public in 1998. In July 2001, the company was a small-cap stock listed for trading on the Nasdaq market.

For a detailed news release on the fraud and guilty pleas, go to www.njusao.org and follow links to 2003 news releases and the Aug. 19, 2003 news release.

U.S. Attorney Christie credited the Newark Division of the FBI, under the direction of Special Agent In Charge Joseph Billy, Jr.; and Postal Inspectors of the U.S. Postal Inspection Service, under the direction of Martin D. Phanco, Inspector in Charge of the North Jersey and Caribbean Division, for their persistence and skill in the investigation. Christie also credited the SEC and the SEC’s Enforcement Division for their valuable assistance in developing the case against the defendants.

The Government is represented by Assistant U.S. Attorney Robert Kirsch, of the Securities and Health Care Fraud Unit of the U.S. Attorney's Office, in Newark.

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Defense Attorneys:

Joseph Sanpietro: Jonathan Goldstein, Esq., of Newark, N.J.

Vincent Sanpietro: William Maderer, Esq. and Jeremy Kleiman, Esq., of Newark, N.J.

Laurence Simon: Edward Dauber, Esq. and Robert Ripley, Esq., of Newark, N.J.

Lawrence Marasco: Paul Nittoly, Esq., and Andrew Joseph, Esq., of Florham Park, N.J.